First National Corporation (FXNC)

Updated August 1st, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$32	**5 Year Annual Expected Total Return:**	4.8%	**Market Cap:**	$287 M
Fair Value Price:	$27	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	08/28/26[1]
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.2%	**Dividend Payment Date:**	09/11/26
Dividend Yield:	2.1%	**5 Year Price Target**	$36	**Years Of Dividend Growth:**	11
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

First National Corporation is a bank holding company that primarily operates through its wholly-owned subsidiary, First Bank. The bank provides a broad range of financial products and services, including traditional banking offerings like checking and savings accounts, commercial and consumer loans, residential mortgages, home equity lines, and wealth management services. In addition to its core banking activities, the company also offers estate planning, investment management, and trustee services. First Bank operates 20 branch offices, mainly in Virginia's Shenandoah Valley, Roanoke Valley, and Richmond regions, delivering its services through physical branches, a mobile banking platform, and a network of ATMs. The company's market cap stands at $287 million.

On July 29th, 2026, First National announced its Q2 results for the period ending June 30th, 2026. The bank reported net income of $5.7 million, or $0.63 per diluted share, compared to $5.1 million, or $0.56 per share, in the same quarter last year. Adjusted operating earnings were also $5.7 million, or $0.63 per diluted share. Results reflected growth in average loan and deposit balances, disciplined expense management, and sound asset quality, with non-performing assets at 0.23% of total assets. Net interest margin expanded to 4.15% from 3.95% a year ago and 3.99% in Q1, driven by better earning-asset yields, reduced funding costs, and $245,000 of accretion income. The bank received regulatory approval for the sale of two North Carolina branches, as well which is expected to close in October 2026. For FY2026, we expect EPS of $2.45.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.20	$1.30	$2.05	$1.92	$1.82	$1.87	$2.69	$1.54	$1.00	$1.97	***$2.45***	***$3.28***
DPS	$0.12	$0.14	$0.20	$0.36	$0.44	$0.48	$0.56	$0.60	$0.61	$0.64	***$0.68***	***$0.91***
Shares[2]	4.9	4.9	5.0	5.0	4.9	5.6	6.3	6.3	7.0	9.0	***9.0***	***9.0***

Over the past decade, First National's EPS has seen fluctuations, reflecting both strong performance and challenges. In 2016, EPS rebounded to $1.20, due to improved cost management and steady loan growth. This recovery continued in 2017, with EPS rising to $1.30, driven by stronger loan demand and better financial performance. In 2018, EPS surged to $2.05, due to higher net interest income and the impact of federal tax reforms, which boosted profitability. Regardless, EPS dipped slightly to $1.92 in 2019, as noninterest expenses rose due to the bank's investment in expanding its market footprint. Despite these higher costs, First National demonstrated resilience during the COVID-19 pandemic in 2020, with EPS only dipping to $1.82, as it managed to maintain a stable loan portfolio.

By 2021, EPS recovered to $1.87, with the bank benefiting from strong loan demand and the successful acquisition of The Bank of Fincastle, which expanded its presence in the Roanoke market. In 2022, EPS peaked at $2.69, driven by robust loan growth and favorable interest rates. In 2023, EPS fell to $1.54, driven by charge-offs in a purchased loan portfolio and higher credit-loss provisions. NIM edged down to 3.41% from 3.44% in 2022 as deposit costs rose. NIM improved to 3.51% in 2024, though GAAP EPS was pressured by one-off M&A expenses. In 2025, NIM rebounded as

[1] Estimated dates based on past dividend dates.

[2] Share count is in millions.

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merger accretion and asset re-pricing outweighed elevated funding costs, lifting profitability as integration synergies ramped. Moving forward, we believe First National will be able to deliver more consistent EPS growth, with our medium-term estimate standing at 6%. We have applied the same rate to our dividend growth forecast, with First National having increased its dividend for nine consecutive years thus far.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	7.7	9.2	8.2	10.2	9.6	9.6	7.4	11.2	18.4	11.2	***13.0***	***11.0***
Avg. Yld.	1.3%	1.2%	1.2%	1.8%	2.5%	2.7%	2.8%	3.5%	3.3%	2.9%	***2.1%***	***2.5%***

In recent years, First National has consistently traded at a P/E ratio in the high-single digits to low teens, aligning with the typical range for regional banks. Currently, the stock is trading at just 13.0 times our projected EPS for the year, a multiple we believe overvalues FXNC. The 2.1% dividend yield should contribute nicely to total returns prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	10%	11%	10%	19%	24%	26%	21%	39%	61%	32%	***28%***	***28%***

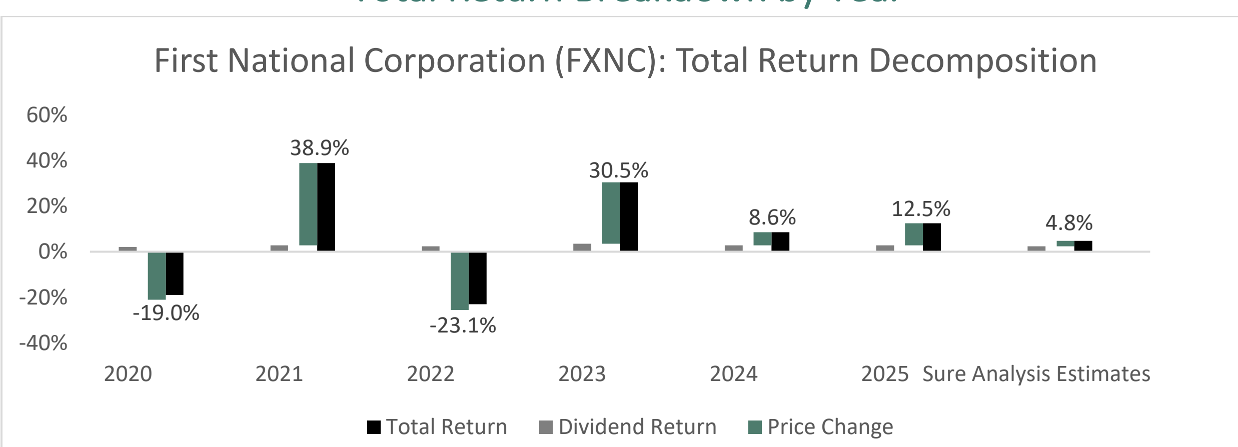
First National holds a number of competitive advantages, particularly when it comes to its long-standing community ties and commitment to customer service within its primary market areas, including the Shenandoah Valley, Roanoke Valley, and Central Virginia. Its solid local presence and customer relationships give it a competitive edge against larger national and regional banks, credit unions, and other financial institutions in the region. During challenging periods, such as the COVID-19 pandemic, First National remained resilient, maintaining profitability through prudent financial management and effective cost control. The bank's capital health remains robust, as reflected in its Common Equity Tier 1 capital ratio of 10.95% and Total Capital ratio of 13.64% at the end of 2025, both above minimum requirements.

Nevertheless, its smaller scale compared to larger institutions limits its ability to fully leverage economies of scale, which could make it more vulnerable during prolonged periods of economic stress. Also, the bank suffered in the aftermath of the Great Financial Crisis, with the bank facing a substantial increase in non-performing assets, and writing down a $6.4 million deferred tax asset. In any case, we believe the stock's dividend can be considered rather secure today.

Final Thoughts & Recommendation

First National's strong community ties make it a compelling choice for investors looking for exposure to a Virginia-based well-managed bank with a solid track record of EPS and DPS growth. We see annualized returns of 4.8% through 2031, driven by our growth estimate and the starting yield, offset by a valuation headwind. We rate FXNC as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	31	33	36	36	37	44	57	54	64	117
SG&A Exp.	15	14	14	14	14	19	22	23	27	---
D&A Exp.	2	2	2	2	1	1	2	2	2	4.5
Net Profit	6	6	10	10	9	10	17	10	7	18
Net Margin	19.1%	19.7%	28.2%	26.8%	24.1%	23.6%	29.5%	18.0%	10.9%	15.4%
Free Cash Flow	8	5	12	11	14	7	26	15	(26)	21
Income Tax	2	4	2	2	2	3	4	2	1.1	4

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	716	739	753	800	951	1,389	1,369	1,419	2,010	2,038
Cash & Equivalents	41	40	29	46	127	176	67	87	163	21
Accounts Receivable	2	2	2	2	3	4	5	5	6	---
Goodwill & Int. Ass.	2	1	0	0	0	3	3	3	18	16
Total Liabilities	664	681	686	723	866	1,272	1,261	1,303	1,844	1,852
Long-Term Debt	14	14	14	14	19	19	14	64	30	44
Shareholder's Equity	52	58	67	77	85	117	108	116	167	186
LTD/E Ratio	0.27	0.24	0.21	0.18	0.23	0.16	0.13	0.55	0.18	0.24

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.8%	0.9%	1.4%	1.2%	1.0%	0.9%	1.2%	0.7%	0.4%	0.9%
Return on Equity	12.0%	11.7%	16.2%	13.3%	10.9%	10.3%	14.9%	8.6%	4.9%	10.0%
ROIC	9.3%	9.3%	13.2%	11.1%	9.1%	8.6%	13.0%	6.3%	3.7%	8.2%
Shares Out.	4.9	4.9	5.0	5.0	4.9	5.6	6.3	6.3	7.0	9.0
Revenue/Share	6.26	6.62	7.26	7.18	7.52	7.89	9.08	8.53	9.24	12.92
FCF/Share	1.62	1.11	2.46	2.18	2.91	1.27	4.09	2.31	(3.66)	2.33

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.